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UNCLAS SECTION 01 OF 03 COLOMBO 000497

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SENSITIVE

FOR A/S TONY WAYNE FROM AMBASSADOR LUNSTEAD; DEPARTMENT FOR  
SA/INS; PLEASE PASS TO TREASURY C.CARNES

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SUBJECT: SRI LANKA RELIEF TO RECONSTRUCTION UPDATE (MARCH  
8, 2005)

REF: COLOMBO 464

This telegram is for use in upcoming briefing for Deputy  
Secretary Zoellick and the Tsunami IAWG

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1. (U) Sensitive but unclassified, please handle accordingly.

2. (U) Summary: The GSL has issued new guidance on NGO and donor activity in Sri Lanka, particularly with regard to the duty free entry of relief and reconstruction supplies into the country, but the situation remains confused. High-level interlocutors continue to acknowledge shortcomings, but appear unable, or unwilling, to confront the issues head-on. While many NGOs appear to have bulging pockets at this point, they are under pressure to deliver and are finding the process of registering and being allowed to operate cumbersome and confusing. New guidelines on the duty free entry of relief and reconstruction items have raised more questions than they have answered. The US Army Corps of Engineers continues to assess USAID recommended infrastructure projects, in the hope that supplemental funds will be forthcoming in order to begin implementation. Maldives, in comparison to Sri Lanka, appears better organized in its reconstruction effort. End Summary.

Process

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3. (SBU) In Sri Lanka, problems continue to plague the GSL's efforts to coordinate reconstruction efforts. The two main impediments to progress at this point are a failure to adequately coordinate and facilitate NGO operations and the lack of clear guidance on procedures such as importing relief and reconstruction items into the country. Further, continued debate over the 100/200 meter coastal conservation zone (reftel) and confusion over its implementation (how it will be enforced; whether exemptions will be granted) has caused delays in the rebuilding and repair process. During a March 7 lunch meeting with Finance Secretary PB Jayasundera, Ambassador commented on the problems posed by unclear guidance and lack of a coordinating mechanism. Jayasundera acknowledged the GSL's shortcomings, offered several examples of how operations could be improved, but suggested the Ambassador raise the issue with President Kumaratunga. Ambassador has requested a meeting with the President to discuss relief issues.

NGO Operations

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4. (U) NGOs in Sri Lanka continued to be burdened and blessed. Their burdens have stemmed from the GSL's lack of a coordinating mechanism and suspension of the NGO registration process, as well as continued bureaucratic hassles in getting relief and reconstruction supplies cleared into the country. Donor governments continue to raise the issue, though they are becoming victims of this systemic failure themselves. USAID has been unable to get the communications equipment for the US Army Corps of Engineers assessment team cleared in time for the team to use it during its visits out of Colombo (The GSL has imposed special procedures on communication equipment due to security concerns).

5. (U) In an effort to address these issues, the GSL called a meeting on March 7 of all NGOs that wish to operate in tsunami affected areas. Far from clarifying and expediting

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the relief and rehabilitation process, the meeting conveyed a sense of "business as usual." No new fast-track mechanisms have been announced, though a new procedure has been put in place to register NGOs. While the Government has issued new guidelines on duty-free entry of relief and rehabilitation materials, there continue to be significant confusion and misunderstanding about what is covered and how it can be used (see "Duty-Free Entry of Relief Goods" below). Many organizations, including the UN and large international NGOs,

continue to experience delays in clearing relief commodities at both the international airport and at the port. Part of the problem is clearly the huge amount of supplies that are coming in, but a far greater impediment is the lack of clear policies and poor communication between Government entities.

Duty-Free Entry of Relief Goods

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16. (U) The GSL announced over the weekend new guidelines on duty-free entry of relief and rehabilitation goods that will be in place for goods that arrive prior to April 26, 2005. According to the Finance Ministry announcement, items that can be imported duty free, assuming they are turned over to the relevant Government agency, include new apparel, textiles, tents, building materials, school supplies, medicines and medical supplies, gully emptiers and water tanks, and generators. Water pumps may be imported duty free but do not need to be turned over to the Government. Items that need special permission include communications equipment and electrical appliances, consumer durables and computer equipment. The announcement made clear that rice would not be allowed to enter the country duty free, in order to protect domestic producers.

17. (SBU) The announcement continued to promote confusion because, according to the published guidelines, certain items have to be turned over to Government entities for distribution. However, when the Ambassador queried Finance Secretary Jayasundera, he indicated that goods do not have to

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be turned over, but that they should be distributed "with the knowledge" of the relevant Government ministry. Seeking further clarification, ECONFSN was told that NGOs should turn the items over to the relevant ministry, but if the NGO wanted to distribute the goods itself, it could request that the goods be returned and that the Ministry approve the distribution.

Coastal Conservation Zone

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17. (U) As described more fully reftel, the 100/200 meter coastal conservation zone (no-build areas) continues to be controversial. While the Government has issued guidance in the form of full-page newspaper advertisements, advising individuals and businesses of the new rules, and outlining compensation measures, it is still unclear what will happen, in particular, to partially damaged structures, or those without permits prior to December 26. Some land has been granted for communities that need to be resettled, but this remains a tedious process without a well coordinated, transparent structure for oversight.

Signature Infrastructure Projects

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18. (U) The Army Corps of Engineers teams have been traveling around tsunami-affected areas, with USAID staff and representatives of GSL authorities responsible for the type of infrastructure being assessed, to prepare the cost estimates for USAID proposed projects, including the repair of a bridge at Arugam Bay in the east, the reconstruction of 14 vocational training centers in coastal areas, and the repair and reconstruction of several fishery harbors. They will complete their assessments by March 16 and present their cost estimates to USAID. Without further information on potential funding, it will be difficult to provide more information on these projects.

Maldives

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19. (U) USAID Director and Econchief attended a briefing by the ADB and Riluwan Shareef, Executive Director of the GORM's Finance Ministry, on March 4. The briefing was well-organized and highlighted the effective work done by the GORM in coordinating its relief and rebuilding efforts. In contrast to its larger tsunami-hit cohorts, Maldives has quietly, and with far less international fanfare, put together a systematic process to identify and prioritize needs and apply resources. Also in contrast to its larger cohorts, Maldives sees a much larger funding gap, relative to the size of its damage. While damage assessments for the Maldives suggest USD 406 million is required to finance reconstruction, donor funding so far totals less than USD 100 million. While it is true that the Maldives has much greater scope for private sector investment in reconstruction than other tsunami-affected countries, the scope of the damage, relative to the size of Maldives economy (approximately USD 850 million per year), is tremendous.

Comment

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10. (SBU) While the tremendous logistical challenge posed by

hundreds of new NGOs and individuals trying to clear goods into the country for relief work is clear, the GSL still appears unable to setup an efficient process. This does not seem to be from ill-will, or a desire to obstruct assistance, but more the persistence of entrenched bureaucratic habits. Perhaps most telling is an anecdote passed on by a senior-level Embassy contact outside the GSL, who told us that he had been present at a meeting where it had been suggested that new guidelines on duty be written in a way that would "please the Americans" (Ambassador had written a letter to the Finance and Foreign Ministers expressing our concern on duties being assessed on relief goods). While it is nice to think we carry so much weight, it is troubling to think that our protestations and desire for clarification would be the justification for new policies, rather than a desire to expedite and better organize the relief effort. This week's announcement by the GSL and its subsequent misunderstandings and confusion have also served as a contrast for Maldives' relief and coordination effort, which appears very well organized and effective. We expect Maldives to make a good showing at the Manila conference next week. End comment  
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